

AR07

file



MAGNETICS INTERNATIONAL LTD.

(no personal liability)

Head office

Suite 400,
621 Craig Street West,
Montreal 101, Quebec

Transfer agents and Registrars

Canada Permanent Trust Company,
600 Dorchester Blvd. West,
Montreal 101, Quebec

1901 Yonge St.,
Toronto 1, Ontario

Bankers

Canadian Imperial Bank
of Commerce,
265 St. James Street West,
Montreal 126, Quebec

Auditors

Price Waterhouse & Co.

Shares listed

Canadian Stock Exchange,
Montreal, Quebec

Toronto Stock Exchange,
Toronto, Ontario

OFFICERS AND DIRECTORS

Magnetics International Ltd. (no personal liability)

Suite 400, 621 Craig Street West, Montreal 101, Quebec

R. P. Mills, President and Director

J. H. Morgan, Ph.D., Vice-Pres., Gen. Mgr. and Director

W. J. D. Stone, P. Eng., Vice-Pres., Development Mgr. and Director

J. O. Sabourin, F.C.I.S., Secretary-Treasurer and Director

N. E. Goodman, Director

John McG. Home, Q.C., Director

H. J. Mockler, Director

J. Douglas Streit, Director

SUBSIDIARIES

Ferrox Iron Ltd. (no personal liability)

P.O. Box 309, Prescott, Ontario

R. P. Mills, President and Director

J. H. Morgan, Ph.D., Vice-President and Director

W. J. D. Stone, P. Eng., Managing Director

J. O. Sabourin, F.C.I.S., Secretary-Treasurer and Director

John McG. Home, Q.C., Director

Ferro-Magnetics Ltd. (no personal liability)

P.O. Box 309, Prescott, Ontario

R. P. Mills, President and Director

J. H. Morgan, Ph.D., Vice-President and Director

W. J. D. Stone, P. Eng., Managing Director

J. O. Sabourin, F.C.I.S., Secretary-Treasurer and Director

John McG. Home, Q.C., Director

Ferrox Iron (New York) Ltd.

P.O. Box 645, Ogdensburg, New York 13669

R. P. Mills, President and Director

J. H. Morgan, Ph.D., Vice-President and Director

W. J. D. Stone, P. Eng., Vice-President and Director

J. O. Sabourin, F.C.I.S., Secretary-Treasurer and Director

John Winthrop, Director

Magsep Ltd.

93-97 Regent St., London W.1., England

W. J. D. Stone, Chairman and Director

D. R. C. Guttery, Director

G. H. Jones, Director

R. P. Mills, Director

Dr. J. H. Morgan, Director

Peter Simpson, Director

Fina Metal Ltd.

P.O. Box 93, Pointe-aux-Trembles, Montreal 500, Quebec

Dr. John Rhodes Patton, President and Director

R. P. Mills, Vice-President and Director

W. J. D. Stone, P. Eng., Vice-Pres. and Mgr. of Development and Director

D. S. Hay, P. Eng., Project Manager

H. J. Hughes, Treasurer and Director

A. W. McLeod, Secretary

J. O. Sabourin, F.C.I.S., Assistant Secretary-Treasurer

N. G. D. Gray, Assistant Secretary

J. H. Morgan, Ph. D., Director

K. S. C. Mulhall, Director

W. Whigham, Director

PHOTO,

Operator dumps charge of finished soft ferrite from
calcining furnace at the Ferrox Iron Ltd.
Prescott, Ont., plant.

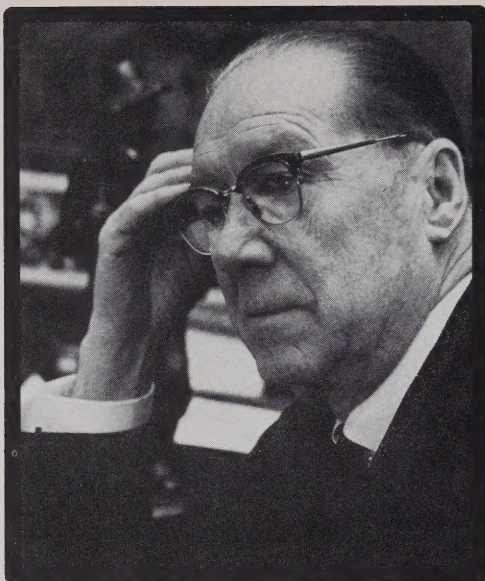
HIGHLIGHTS

- **Ferrox Iron Ltd.** plant at Prescott, Ontario, went into commercial production on August 3, 1968.
- **Ferrox Iron (New York) Ltd.** plant with a capacity of 15 tons per day of ferrite powder completed and production achieved late in February, 1969.
- **British Subsidiary, Magsep Ltd.** was formed and acquired world-wide rights to the Jones Wet Magnetic Separators other than the Americas. Magnetics International holds 80% interest in Magsep Ltd.

- **Agreement completed** with General Magnetic Corporation of Detroit for the sale of ferrite powders in the Americas, New Zealand and Australia.
- **Fina Metal Ltd.** plant completed late in December at a cost of \$4,500,000 and expected to go on stream in April. The company owned 51% by Petrofina Canada Ltd. and 49% by Magnetics International Ltd.
- **Ferro-Magnetics Ltd.** completed several major test programs, one of which resulted in an order for a 50-ton-per-hour machine to process iron ore.

Gross operating profit for the year \$93,426;
loss after charges and expenses \$120,865.





Mr. R. P. Mills

TO THE SHAREHOLDERS

The outlook for the coming year is bright. The capacity of the Prescott plant for production of embedding powder (Permacal "R") is being increased, the Ogdensburg plant of Ferrox Iron (New York) Ltd. is working up to full capacity and sales through General Magnetic Corporation are increasing and should ensure a profitable operation. Fina Metal Ltd. has gone through the usual start-up problems of a new plant, but is now on stream and producing a saleable product. Ferro-Magnetics has a number of important projects underway for the sale of Jones Wet Magnetic Separators. Magsep Ltd. in the United Kingdom will be fabricating equipment and embarking on a program to exploit world-wide rights to the Jones Separator. Further expansion of the Ogdensburg plant will be undertaken as soon as sales warrant and plans are underway to establish similar facilities for the production of ferrite powder both in England and in Italy.

Financial

Current assets as at December 31, 1968, totalled \$1,067,495 and current liabilities \$96,539, other than the demand loan which, as previously agreed, is being settled by the issuance of \$375,000 of 7% convertible debentures to Merrill Island Mining Corporation, Ltd.; such debentures are to be convertible at prices ranging from \$3.75 to \$5.00 per share and are subject to approval of an increase in capital to provide for such conversion (see Note 6 to the Financial Statement). This compares with current assets of \$682,420 and current liabilities of \$106,590 at the end of 1967.

The entire issue of \$1,000,000 of 7% convertible debentures due February 1, 1972, has been converted into capital stock. Shareholders purchased 205,755 shares of treasury stock at \$3.50 per share for a total of \$720,143 under a rights offering made to shareholders of record September 30, 1968, on the basis of one share for each eleven shares held (see Note 8).

Your subsidiary, Ferrox Iron Ltd., began commercial production on August 3, 1968. It was, therefore, necessary to provide figures for the period December 31, 1967 to August 3, 1968, and separately for the production period of August 3rd to December 31, 1968. Consolidated statement of Income and Deficit for the year shows a gross operating profit of \$93,426 and a deficit of

The Special and Annual General Meeting of Shareholders will be held in the Prince of Wales Salon of the Windsor Hotel, Montreal, Quebec on May 23rd, 1969, at 11:00 o'clock in the forenoon (Eastern Daylight Saving Time).

\$130,596 after expenses and other charges. Future statements will be on a regular profit and loss basis. Due to the change from a mining to an industrial operation, a comparative financial statement with 1967 is not available, but all future reports will contain figures for the previous year.

Ferrox Iron Ltd.

Production of high grade iron oxide at the plant at Prescott, Ontario, is gradually being brought up to the full capacity of 20 tons per day to supply Ferrox Iron (New York) with material. Capacity of embedding powder (Permacal "R") is being increased from one to two tons per day, and production of higher grade ferrite powders (Permacal "O", "D" and "W") is being supplied principally to European markets. Research is being continued, but the emphasis is now on production and sales.

Ferrox Iron (New York) Ltd.

The company's plant at Ogdensburg is operating and gradually working up to full capacity of 15 tons per day. The only product being produced at present is Permacal "C" to supply General Magnetic Corporation and, as sales increase, the size of the original plant will be doubled and other ferrite products added. This plant was financed by \$100,000 of equity capital supplied by Magnetics International, \$110,000 of convertible debentures subscribed for by a group in Ogdensburg, and a \$100,000 loan from the Ogdensburg Trust Company. The company is a wholly-owned subsidiary except for the shares that may be issued for the conversion of the debentures, which are convertible at from \$1.00 per share to \$2.50 per share.

Magsep Ltd.

This company has been formed as a U.K. subsidiary and acquired the world-wide rights to the Jones Wet Magnetic Separator, other than the Americas. Engineering and sales staffs have been engaged and the company is now organizing the fabrication of Jones equipment and embarking on a world-wide sales program. Magnetics International will have an 80% interest in Magsep, the other 20% being issued for the world rights to the Jones Separators, other than the Americas.

Sales Agreement

The sales agreement with General Magnetic Corporation of Detroit is beginning to show results. In addition to their consumption of ferrite powder at their plant in Detroit, other sales are being negotiated with large consumers and this should soon absorb

the entire output from the Ferrox Iron (New York) plant.

Fina Metal Ltd.

The plant is now starting commercial production of steel powder. Start-up problems and the breaking in of a new plant has resulted in a delay of four months in the original schedule. Operating costs during this period have required advances of an additional \$400,000, of which Magnetics has advanced 49% and Petrofina Canada Ltd. 51%. Additional advances for working capital will, undoubtedly, be required before the company reaches the break-even point.

Ferro-Magnetics Ltd.

This subsidiary is working on a number of major test programs, has recently completed test work for upgrading talc ores for Baker Talc Limited and has several projects for upgrading iron ores. These are resulting in additional orders for Jones Wet Magnetic Separators, which are now finding acceptance for large-scale installation. One order for \$1,800,000 for Jones machines is now being finalized and other sales are being negotiated.

Special general meeting

The company has agreed to deliver to Merrill Island Mining Corporation \$375,000 of 7% convertible debentures, convertible into shares at prices ranging from \$3.75 to \$5.00 per share, in full and final settlement of loans and advances of \$375,000 previously made to Magnetics and shown in the Balance Sheet as 6½% Demand Loan. Actual delivery of the debentures could not be made until the 100,000 shares of capital stock required for the conversion was authorized by the shareholders.

Special By-Law "L" authorizing an increase in the authorized capital of the company from 2,500,000 shares to 3,000,000 shares of a par value of \$5.00 per share is being presented for your consideration.

The company has been carrying on negotiations for several months for the acquisition of another company and has plans for establishing ferrite plants in England and Italy similar to the facilities at Ferrox Iron (New York). The proposed increase in capital will provide the necessary means to carry through these projects when, as and if finalized.

Stone agreement

The company has completed an agreement with W. J. D. Stone, Vice-President, for his interest in certain Canadian and United

States patents and a cancellation by Mr. Stone of his interest in the net profits obtained by Magnetics for the manufacture, sale, lease and licensing of Jones Wet Magnetic Separators. This will eliminate any minority interest which he might have been entitled to under this agreement in Ferrox Iron Ltd., Ferrox Iron (New York) Ltd., Fina Metal Ltd. and Magsep Ltd. The company has undertaken to pay to Mr. Stone forty semi-annual instalments of \$7,500 for a total of \$300,000 over a period of twenty years beginning March 15, 1969.

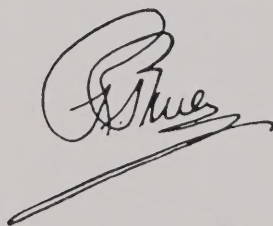
Annual meeting

Your Directors submit for your consideration the Consolidated Balance Sheet as at December 31, 1968, and the related financial statements, including the Statement of Source and Application of Funds.

Enclosed is Notice of the Special and Annual Meeting of Shareholders to be held at the Windsor Hotel, Montreal, Quebec, on the 23rd day of May, 1969. Your Directors hope you will attend, but if you cannot attend in person, a Proxy form is enclosed with the report for your use.

Your Directors wish to express their appreciation to all of the staff for their continued and loyal services throughout the year.

Respectfully submitted on behalf of the Board of Directors,



R. P. MILLS
President

Montreal, Quebec
April 17, 1969

PHOTO,

Testing the magnetic properties of a Permacal "D" barium ferrite sample in the Ferrox Iron Ltd. Prescott, Ont., laboratory.

1968 OPERATING REPORT

The year 1968 has been one of steady progress for the subsidiary companies of Magnetics International Ltd. Construction of the Fina Metal Ltd. steel powder plant is complete. A new automated continuous process ferrite plant was built in Ogdensburg, New York, and started production early in 1969. Market development of ferrites is advancing rapidly and a new product, embedding ferrite, is now in production. Ferro-Magnetics Ltd. has had a very active year in process development and testing.

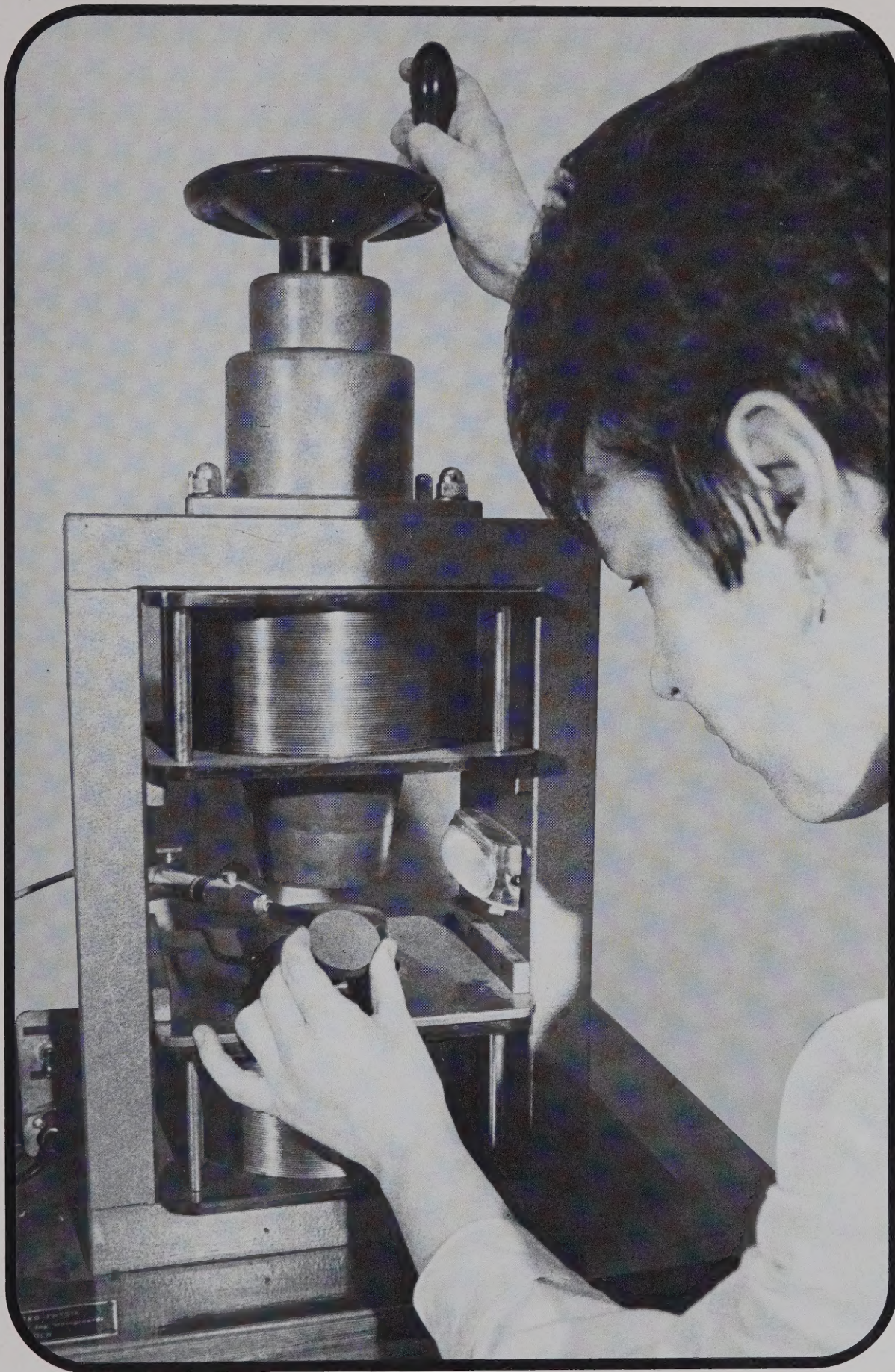
Rights to the Jones machines are now controlled by Magnetics International and its subsidiaries throughout the world. Magsep Ltd. has been formed in England to handle manufacture and sale of Separators outside the Americas.

Ferrox Iron Ltd.

During 1968 shipments of ferrite to the United States, Italy, West Germany, the United Kingdom and Japan continued. Production efforts were directed to serving existing customers while a larger continuous process plant was designed and then built in Ogdensburg, New York. Discussions have been held toward establishing ferrite production plants in the United Kingdom, Italy, Brazil and Japan.

A one-ton-per-day plant of the manufacture of Permacal "R" is now in production, and a second kiln is being installed to double this capacity. Permacal "R" is a type of ferrite used for embedding in plastic or rubber strips as refrigerator or freezer door closing devices. Work is progressing on the development of soft ferrites for use in television sets, radios and antennae. Strontium ferrites are being produced and sold in small quantities.

An important sales agreement has been concluded with General Magnetic Corporation of Detroit, a subsidiary of The Muter Company. General Magnetic, in itself one of the largest magnet makers in the United States, has sales rights to Permacal ferrite products within the Americas and Australia. This company is contributing greatly to Ferrox Iron's technical development, market development and sales through its highly trained, competent engineering staff. General Magnetic's sister company is the well-known producer of high fidelity loudspeakers, the Jensen Manufacturing Co. of Chicago, Ill.



Ferrox Iron (New York) Ltd.

The first phase of construction at the plant in Ogdensburg, N.Y., has been completed. This installation, for the production of Permacal "C" ferrite powder, has been in operation on a commercial basis since the beginning of March. Shipments are now being made to General Magnetic Corporation of Detroit and will be expanded to meet their requirements for magnet manufacture and for sale to other consumers of ferrite powder.

The Ogdensburg plant is a large production unit with a capacity of 15 tons per day, using an automated, continuous process. This contributes to greater uniformity of product and lower unit costs. The two batch furnaces at Prescott, Ont., will now be available for the production of higher grade ferrites and other types that are used in small tonnages.

The plant site in Ogdensburg consists of 16 acres of levelled industrial land with rail siding and access to docks on the St. Lawrence River. The building on the site is large enough to permit expansion to four times the present capacity. It is probable that a large kiln will soon be installed to produce Permacal "R", the embedding powder, in quantity.

Ferro-Magnetics Ltd.

The primary function of Ferro-Magnetics Ltd. is to develop processes and do test work involving use of the Jones Wet Magnetic Separator. During the past year, test projects have been carried out on many materials, including uranium ores, glass sands, barite, celestite, talc, iron ore, wollastonite, kaolin, bauxite and cryolite.

The outstanding project of the year was a pilot plant program on a Brazilian iron ore on which an order involving a total of \$1,800,000 is being negotiated. This would represent a major breakthrough in Jones Wet Magnetic Separator development, as the first large tonnage operation involving multiple units of 50 ton/hour capacity. There is one 50 ton/hour machine working successfully in Australia at present.

Magsep Ltd.

Harvey Fabrications Ltd., a substantial United Kingdom engineering and heavy equipment manufacturer, acquired the rights to the Jones Wet Magnetic Separator outside the Americas. For many years, Magnetics International has been developing process knowledge related to the same machine. During 1968, Harvey and Magnetics International decided to combine forces and work

together. This decision resulted in the formation of Magsep Ltd., of which Harvey Fabrications Ltd. owns 20 per cent and Magnetics International Ltd. owns 80 per cent. Magsep, operating from London, England, will promote the development, use and sale of Jones Wet Magnetic Separators world-wide outside the Americas, and will oversee the manufacture of Jones machines in the United Kingdom. It has been found that the cost of manufacture of these machines in the U.K. is considerably less than in North America.

Fina Metal Ltd.

This steel powder producer, 51 per cent owned by Petrofina Canada Ltd. and 49 per cent owned by Magnetics International Ltd., is moving toward full commercial production. Construction of its Pointe-aux-Trembles, Quebec, plant is complete, and process tuneup is underway.

In 1968, the company appointed United States Bronze Powders, Inc. as exclusive distributors in the United States. Negotiations are underway for distributors to sell the company's HYTRON brand of steel powder in the United Kingdom and Japan.

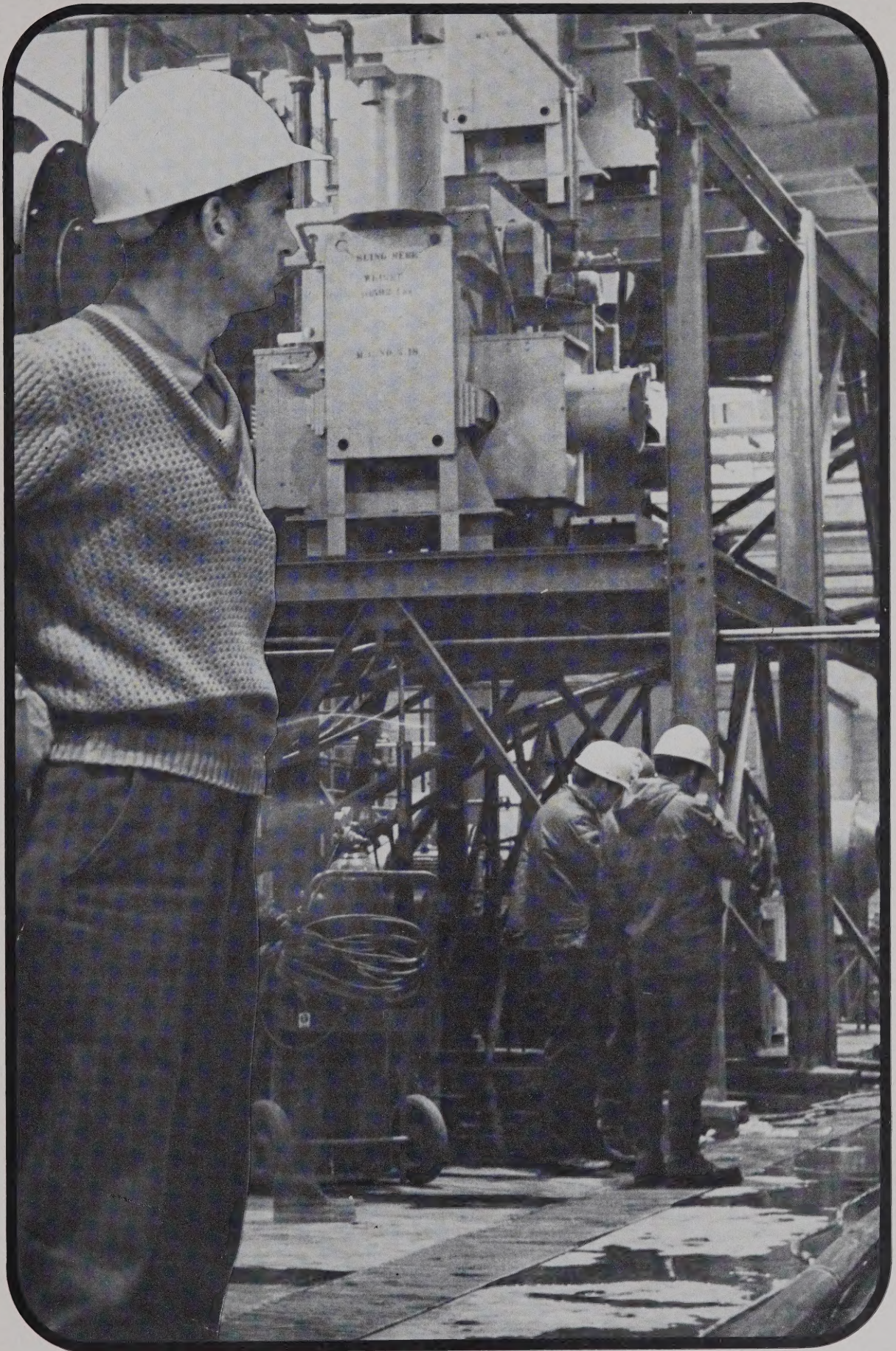
Fina Metal expects the current oversupply of steel powder to result in a reduction of powder prices, helping to stimulate a strong advance in powder metal technology. Thus, new and greater markets for steel powder will develop. The company views its current \$4,500,000 plant east of Montreal as a preliminary operation, preceding a much larger enterprise. It will continue to satisfy world-wide customers' demands, and investigate novel uses for steel powder. The plant is modern, and can be expanded many times in terms of space available.

Con Quest Exploration Ltd.

The mining claims held by Con Quest Exploration Ltd. have been maintained in good standing, but no development work has been done in 1968. Management is considering obtaining an underwriting to finance Con Quest Exploration Ltd. in the near future.

PHOTO,

Mill area of the Fina Metal Ltd. steel powder plant in Pointe-aux-Trembles, east of Montreal, Que., showing a bank of four Jones Wet Magnetic Separators. The machines are used to provide a 99.8 per cent pure iron oxide furnace feed for reduction.



WORLD MARKETS FOR PERMACAL FERRITE POWDERS



Ferrite powders are used by the world's magnet makers to produce permanent ceramic magnets for use in electric motors. The powder is pressed into the shape desired, sintered, magnetized and installed for a fraction of the cost of making copper-wound motor stators. Ceramic magnets permit the design of lower cost, smaller motors such as automobile accessory motors, in electric shavers, carvers, and other household appliances.

Markets for Permacal ferrite powders have been developed by subsidiaries of Magnetics International Ltd. in Australia, Canada, Denmark, England, Germany, Holland, Italy, Japan, Spain and the United States.

In the United States, shipments are made to New York, New Jersey, Michigan, Pennsylvania, Illinois, Tennessee, Kentucky and California.



Mr. Neal L. Moylen, left, Commissioner, New York State Department of Commerce, cuts the ribbon with Mr. R. P. Mills, President of Magnetics International Ltd., at the official opening of the Ferro Iron (New York) Ltd. Ogdensburg, N.Y., plant in February.

MAGNETICS INTERNATIONAL LTD.

[Signature]

(No Personal Liability)
Suite 400, 621 Craig St. West
Montreal 101, Que.

Notice of Special and Annual General Meeting of Shareholders

To the Shareholders:

NOTICE IS HEREBY GIVEN that a Special and Annual General Meeting of Shareholders of MAGNETICS INTERNATIONAL LTD. (No Personal Liability) will be held in the Prince of Wales Salon, Windsor Hotel, Montreal, Quebec, on Friday, May 23rd, 1969 at the hour of 11:00 o'clock, in the forenoon (Eastern Daylight Saving Time) for the purpose of:—

- (a) Considering and, if deemed advisable, approving, ratifying, sanctioning and confirming, subject to such amendments, variations or additions as may be approved at the Meeting, Special By-Law "L" enacted by the Directors, which provides as follows:—

SPECIAL BY-LAW "L"

being a by-law increasing the capital of the Company and authorizing a Petition for Supplementary Letters Patent.

WHEREAS the authorized capital of the Company consists of \$12,500,000 divided into 2,500,000 shares of the par value of \$5.00 each of which 2,495,955 have been allotted and issued and are now outstanding as fully paid; and

WHEREAS it is deemed necessary and expedient in the interest of the Company that the capital of the Company be increased as herein provided; NOW THEREFORE be it enacted and it is hereby enacted a Special By-Law "L" of Magnetics International Ltd. (No Personal Liability) (herein called the "Company"):

1. THAT the capital of the Company be and is hereby increased from the sum of \$12,500,000 to the sum of \$15,000,000 by the creation of 500,000 additional shares of the par value of \$5.00 each ranking pari passu in all respects with the existing shares of the Company so that the authorized capital of the Company shall consist of \$15,000,000 divided into 3,000,000 shares of the par value of \$5.00 each;
2. THAT the Company be and is hereby authorized to make a Petition to the Lieutenant-Governor of the Province of Quebec for Supplementary Letters Patent confirming this By-Law;
3. THAT the Directors of the Company be and they are hereby authorized and directed to do, sign and execute all things, deeds and documents necessary or desirable for the due carrying out of the foregoing.

(Continued on reverse side)

INSTRUMENT OF PROXY

MAGNETICS INTERNATIONAL LTD.

(No Personal Liability)

The undersigned, a Shareholder of MAGNETICS INTERNATIONAL LTD. (No Personal Liability), hereby appoints R. P. Mills, or in his absence, J. O. Sabourin, or as proxy to vote for and on behalf of the undersigned at the Special and Annual General Meeting of Shareholders of the Company, to be held on the 23rd day of May 1969 and at any adjournment thereof.

DATED this day of 1969.

(Signature of Witness)

(Signature of Shareholder)

NOTE: Where the instrument is signed by a corporation, its common seal must be affixed.

Your name and address is recorded as indicated below.
Please report any change.

[Empty box for name and address]

MAGNETICS INTERNATIONAL LTD.

(No Personal Liability)

INFORMATION CIRCULAR

Solicitation of Proxies

This information circular is furnished in connection with the solicitation by the management of Magnetics International Ltd. (N.P.L.) (the "Company") of proxies for use at the Annual and Special General Meetings of the Shareholders of the Company and at any adjournment thereof to be held at the time and place and for the purposes set forth in the accompanying notice of meetings. The solicitation will be made primarily by mail but proxies may also be solicited by regular employees of the Company at nominal cost. The cost of solicitation by management will be borne by the Company.

Appointment and Revocation of Proxies

THE PERSONS DESIGNATED IN THE ENCLOSED FORM OF PROXY ARE DIRECTORS AND/OR OFFICERS OF THE COMPANY. A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT HIM AT THE MEETING MAY DO SO EITHER BY STRIKING OUT THE NAMES OF THE PERSONS DESIGNATED AND BY INSERTING SUCH OTHER PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY OR BY COMPLETING AND SUBMITTING ANOTHER PROPER FORM OF PROXY.

A shareholder who has given a proxy may revoke it prior to its use. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or by his attorney authorized in writing, or if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the Head Office of the Company at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the Chairman of such meeting on the day of the meeting, or any adjournment thereof, and upon either of such deposits the proxy is revoked.

Exercise of Discretion

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. IN THE ABSENCE OF SUCH DIRECTION SUCH SHARES WILL WITH RESPECT TO THE PARTICULAR MATTER TO BE ACTED UPON BE VOTED FOR SUCH MATTER. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to other matters which may properly come before the meeting. The management of the Company knows of no other matters to come before the meeting other than the matters referred to in the notice of meeting.

Voting Shares

On April 14, 1969, the Company had outstanding 2,495,955 shares of \$5.00 each, carrying the right to one vote per share so that the aggregate number of votes attaching to all the outstanding shares is 2,495,955. The Directors and senior officers of the Company do not know of any person or company, beneficially owning, directly or indirectly, shares carrying more than 10% of the voting rights attached to all shares of the Company.

All shareholders of record on the books of the Company at the time of the holding of the meeting will be entitled to vote at the meeting.

Election of Directors

The Board consists of eight Directors to be elected annually. The persons named in the enclosed form of Proxy intend to vote for the election of the nominees whose names are set forth following, all of whom are now members of the Board of Directors and have been since the dates indicated. The management does not contemplate that any of the nominees will be unable to serve as a Director but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee at their discretion. Each Director elected will hold office until the next Annual Meeting and until his successor is duly elected, unless his office is earlier vacated.

The following information is furnished with respect to each person proposed to be nominated for election as a director:

Name	Became Director	Shares Beneficially Owned Directly or Indirectly
N. E. Goodman, of Montreal, Quebec is Investment Counsel and a partner with the firm of Beutel, Goodman & Company since 1967; previous three years Investment Analyst with Everest Investment Ltd.	1968	1,000
John McG. Home, Q.C., Lawyer of Montreal, Quebec, is and has been for the past five years a partner with the firm of O'Brien, Home, Hall, Nolan, Saunders, O'Brien & Smyth, and its predecessor firms. He has been a Director of various companies for the past five years.	1963	2,000
R. P. Mills, of Montreal, Quebec, is President of the Company. He is and has been for the past five years a Mining Executive and President of Merrill Island Mining Corporation, Ltd. and a number of other Companies for the past five years.	Prior to 1950	11,000
H. J. Mockler, of Montreal, Quebec, is President of St. Maurice Gas Inc. and Central Mining Corporation and a Director of Mead & Co. Limited.	1968	4,450
J. H. Morgan, Ph.D., of Montreal, Quebec, is Vice-President and General Manager of the Company. He is and has been for the past five years a Consulting Geologist, is now President of Baker Talc Limited, and has been a Director of various other companies for the past five years.	1958	17,500
Joseph O. Sabourin, of Pointe Claire, Quebec, is Secretary and Treasurer of the Company, and has been Secretary and Treasurer of Merrill Island Mining Corporation, Ltd. and a number of other companies for the past five years.	Prior to 1950	602
W. J. D. Stone, Beaconsfield, Quebec, is Vice-President, Development of the Company. He is and has been for the past five years a Professional Engineer, and is now Vice-President of Ferrox Iron (New York) Ltd., and Managing Director of Ferrox Iron Ltd. and Ferro-Magnetics Ltd.	1969	1
J. Douglas Streit, of Toronto, Ontario is and has been for the past five years an officer, director and shareholder of J. Bradley Streit & Company Limited.	1965	100

Remuneration of Directors and Officers

During the past fiscal year the aggregate remuneration paid or payable by the company to the Directors and senior officers of the Company was \$20,900, of which \$19,200 was paid to officers and \$1,700 to Directors. The total paid to the five highest paid employees and senior officers (including subsidiaries) was \$55,057.

Appointment of Auditors

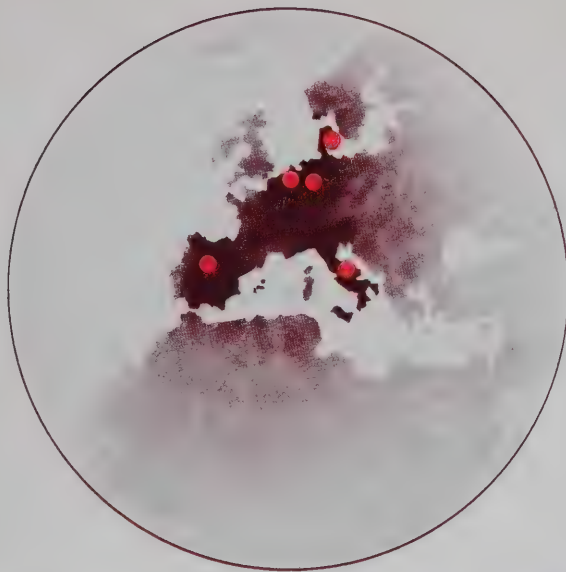
The persons named in the enclosed form of proxy intended to vote for the re-appointment of Price Waterhouse & Co., Chartered Accountants of Montreal, Quebec, as auditors of the Company to hold office until the next Annual Meeting of Shareholders. They have been auditors of the Company for more than five years.

Particulars of Matters to be Acted Upon

It is proposed to consider and if advisable to approve and confirm Special By-Law "L" enacted by the Directors on April 17, 1969, authorizing an increase in the Capital of the Company from 2,500,000 shares of a par value of \$5.00 each to 3,000,000 shares of a par value of \$5.00 a share. It is proposed to set aside 100,000 shares of a par value of \$5.00 a share when, as and if authorized for the conversion of \$375,000 of 7% convertible debentures to be delivered to Merrill Island Mining Corporation, Ltd. in full and final settlement of loans and advances of \$375,000 previously made to the company by Merrill Island Mining Corporation, Ltd.

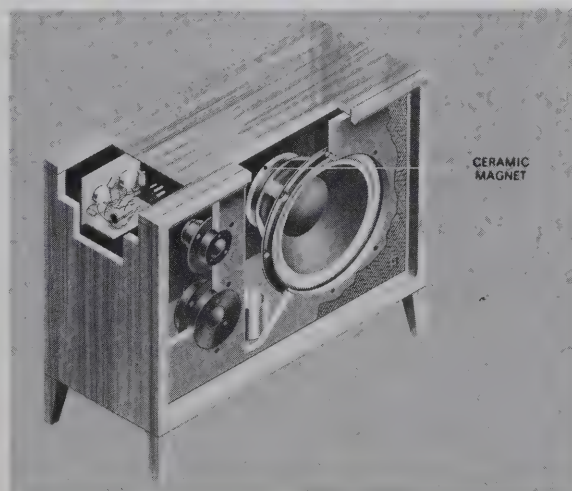
The management of the Company knows of no matters to come before the meeting other than the matters referred to in the notice of the meeting. However, if matters not now known to the management should come before the meeting shares represented by proxies solicited by the management will be voted on each such matter in accordance with the best judgment of the person voting the same.

April 14, 1969.



A major use for ferrite powders is the magnets used in high fidelity loudspeaker assemblies, such as the one shown at left, made by the Jensen Manufacturing Co.

The cutaway sketch shows the placement of the permanent magnet behind the speaker cone. Jensen is a sister company of General Magnetic Corporation of Detroit, which has sales rights to Permacal ferrite products in the Americas and Australia.





CONSOLIDATED BALANCE SHEET

December 31, 1968

Statement 1

Assets

Current Assets:

Cash and deposit receipts	\$599,296	
Accounts receivable	232,290	
Taxes recoverable	6,043	
Investments in shares of listed mining companies (Note 2 and Schedule A — quoted market value — \$21,550)	6,691	
Inventory — raw materials and finished goods at cost which is lower than market	223,175	\$1,067,495

Deferred accounts receivable 9,393

Investments in shares of, and advances to, unlisted Mining Companies
(Note 2 and Schedule B) 43,275

Investment in and advances to Subsidiary Companies not consolidated
(Note 1b) 89,318

Investment (49%) in Fina Metal Ltd. (Note 3) 557,865 690,458

Mortgage receivable, less instalments due within one year 20,909

Fixed assets, at cost:

Land and buildings	137,681
Machinery and equipment	407,929
Furniture and fixtures	8,596

554,206

Less: Received by grant on building, machinery and equipment (Note 4) 150,379

403,827

Less: Accumulated depreciation (Note 5) 226,789 177,038

Investment in Jones Wet Magnetic Separator 6,222

Deferred pre-production expenditures:

Ferrox Iron Ltd. (N.P.L.) — Statement 3 —	
Development	837,065
Administrative	98,227

935,292

Less: Received by grant (Note 4) 444,462

490,830

Ferrox Iron (New York) Ltd. — Statement 4 30,253 521,083

Organization expenses 10,229

\$2,502,827

Auditors' Report

To the Shareholders of Magnetics International Ltd. (No Personal Liability)

We have examined the consolidated balance sheet of Magnetics International Ltd. (No Personal Liability), formerly Cons. Quebec Smelting & Refining Ltd. (No Personal Liability), and its consolidated subsidiary companies as at December 31, 1968, and the statement of income and deficit for the year then ended, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

March 31, 1969

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the companies, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of affairs of the companies as at December 31, 1968 and of the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change in the depreciation policy of Ferrox Iron Ltd. (N.P.L.) as described in Note 5.

PRICE WATERHOUSE & CO. Chartered Accountants

Liabilities and Capital

Current liabilities:

Accounts payable and accrued liabilities	\$	96,539	
6½% demand loan (Note 6)		375,000	\$ 471,539

7% mortgage payable, less \$4,500 payable within one year			23,625
--	--	--	--------

7% convertible debentures of Ferroxi Iron (New York) Ltd. due September 1, 1980 (Note 7)

Authorized	U.S. \$	250,000	
Issued (U.S. \$31,500)			33,750

7% convertible redeemable debentures, due February 1, 1972 (Note 8)

Authorized	\$	1,000,000	
Issued	\$	1,000,000	
Less: Converted into capital stock		1,000,000	

Minority shareholders' interest in Subsidiary

Company (Note 9)			12,500
----------------------------	--	--	--------

Capital:

Capital stock (Note 6)			
Authorized —			
2,500,000 shares of \$5 par value		\$12,500,000	

	Shares	(Discount)	Net
Issued and fully paid —			
For cash (Note 8)	1,195,955	\$3,857,375	\$ 2,122,400
For net assets of predecessor corporation	300,000	750,000	750,000
For debentures converted (Note 8) . .	1,000,000	4,000,000	1,000,000
	<u>2,495,955</u>	<u>\$8,607,375</u>	<u>3,872,400</u>

Deduct:

Cost of mining claims and options abandoned, write-offs, and net losses on disposal of investments and other assets (Statement 5)	\$1,780,391		
Deficit — per Statement 2	130,596	1,910,987	1,961,413
			<u>\$2,502,827</u>

Signed on behalf of the Board:

R. P. MILLS, *Director*

J. O. SABOURIN, *Director*



CONSOLIDATED STATEMENT OF INCOME AND DEFICIT

for the year ended December 31, 1968

Statement 2

Sales:

Ferrites	\$ 98,460
Jones Wet Magnetic Separators	116,890
Custom work and analysis	53,677

	269,027
Cost of sales	175,601

	93,426
Other income	14,688
	108,114

Expenses:

Depreciation (Note 5)	31,170
Interest	16,305
Administrative (including directors' remuneration of \$9,600)	130,175
Selling	33,694

Research and development		
(including depreciation in the amount of \$8,650)	\$38,580	
Less: Received by grant (Note 4)	35,758	2,822

Write-off of deferred administrative expenditures — Schedule E		14,813
		228,979

Loss for the year		120,865
-----------------------------	--	---------

Deficit of Ferro-Magnetics Ltd. (N.P.L.) at December 31, 1967		9,731
---	--	-------

Deficit, December 31, 1968 — Statement 1		\$130,596
--	--	-----------

DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES OF FERROX IRON LTD. (N.P.L.)

A Subsidiary Company, from date of incorporation — January 29, 1964
to date of commencement of commercial operations — August 3, 1968

Statement 3

Development:

	Balance at December 31, 1967	Expenditures for the period ended August 3, 1968	Balance at August 3, 1968
Incurred by prior interests	\$ 47,319	—	47,319
Miscellaneous	13,055	440	13,495
Rent	8,739	5,000	13,739
Rental of equipment	987	—	987
Research (Schedule C)	630,640	171,774	802,414
Salaries	107,570	14,813	122,383
Materials	68,408	86,772	155,180
Supplies	8,572	5,088	13,660
Technical publications	2,390	65	2,455
Testing, consulting and other fees	11,880	—	11,880
Transportation	263	74	337
Travelling	20,349	3,479	23,828
Special development re ferrites	5,237	26	5,263
Loss on sale of fixed assets	—	1,994	1,994
Salesmen's fees and expenses	—	5,489	5,489
Depreciation (Note 5)	—	188,680	188,680
	925,409	483,694	1,409,103

Less:

Inventories	140,798	20,058	160,856
Excess of net assets of the subsidiary over cost of acquisition	10	—	10
Revenue from sale of superconcentrates and ferrites	92,368	117,091	209,459
Expenditures applied to and recovered or recoverable from Fina Metal Ltd.	163,213	28,500	191,713
Expenditures recovered from related company	10,000	—	10,000
	406,389	165,649	572,038
Per balance sheet — Statement 1	\$519,020	318,045	837,065

(Statement 3 continued)

	Balance at December 31, 1967	Expenditures for the period ended August 3, 1968	Balance at August 3, 1968
Administrative:			
Accounting and administrative fixed service charges	\$ 34,900	7,000	41,900
Consulting fees	227	2,339	2,566
Cost of share certificates	239	—	239
Hospital and pension plans	10,332	4,358	14,690
Interest	8,549	1,283	9,832
Legal and audit fees	5,372	2,751	8,123
Miscellaneous office expenses	1,357	207	1,564
Publicity	2,815	1,069	3,884
Office supplies and reproduction	3,564	550	4,114
Taxes, fees and licenses	1,490	578	2,068
Transfer agent's fees	341	61	402
Rent	2,355	1,855	4,210
Workmen's compensation	—	4,335	4,335
Bad debts	—	300	300
Per balance sheet — Statement 1	<u>\$ 71,541</u>	<u>26,686</u>	<u>98,227</u>

PRE-PRODUCTION EXPENDITURES OF FERROX IRON (NEW YORK) LTD.

A Subsidiary Company from date of incorporation — October 13, 1965 to December 31, 1968

Statement 4

Bulk transport	\$ 146
Building costs	88
Consulting fees	4,466
Insurance, taxes, etc.	4,249
Legal and audit	11,305
Miscellaneous and office expenses	2,891
Overhead expenses	1,610
Repairs to machinery	812
Salaries	3,880
Travelling expenses	806
Per balance sheet — Statement 1	<u>\$30,253</u>

STATEMENT OF COST OF MINING CLAIMS AND OPTIONS ABANDONED, WRITE-OFFS AND NET LOSSES ON DISPOSALS OF INVESTMENTS AND OTHER ASSETS

June 30, 1968

Statement 5

	From incorporation to December 31, 1967	For the six months ended June 30, 1968	From incorporation to June 30, 1968
Net loss (profit) on disposal of investments in shares of mining companies	\$ 249,380	(23,089)	226,291
Write-down of investments	115,977	—	115,977
Profit on disposals of fixed assets	(16,031)	—	(16,031)
Cost of mining claims and options abandoned:			
Mining claims	276,283	—	276,283
Development expenditures — Schedule D	395,763	—	395,763
Administrative expenditures — Schedule E	93,525	—	93,525
Write-off of expenditures relating to mining rights transferred to Con Quest Exploration Ltd. (N.P.L.), a subsidiary company:			
Development expenditures — Schedule D	—	436,762	436,762
Administrative expenditures — Schedule E	—	251,821	251,821
Per balance sheet — Statement 1	<u>\$1,114,897</u>	<u>665,494</u>	<u>1,780,391</u>



Schedule A

INVESTMENTS IN SHARES OF LISTED MINING COMPANIES

December 31, 1968

Number of shares		Book value	Market value
5,000	Baker Talc	\$ 1,902	\$ 3,150
13,000	Chib-Kayrand Copper Mines	2,335	3,770
3,800	Merrill Island Mining	2,454	14,630
	Per balance sheet — Statement 1	\$ 6,691	\$21,550

Schedule B

INVESTMENTS IN SHARES OF, AND ADVANCES TO, UNLISTED MINING COMPANIES

December 31, 1968

	Book value of shares	Advances	Total
270,000	Chiboug Copper Corporation (pooled)	\$ 5,400	9,000
129,200	Cuvier Mines	2,584	2,584
562	Gibson Mines	—	—
24,188	Gibson Mines (pooled)	250	14,300
75,000	Grand Manitou Mines (pooled)	—	—
357,029	Lucky Lake Mines	7,140	7,140
256,669	Lucky Lake Mines (pooled)	2,560	2,560
200,000	Packard Pershing Mines (pooled)	1	4,500
100,000	Ran-Lux Mines (pooled)	1,000	1,000
4,000	Scott Chibougama Mines	40	1,900
	Per balance sheet — Statement 1	\$18,975	24,300
			43,275

Schedule C

RESEARCH EXPENDITURES OF FERROX IRON LTD. (N.P.L.)

A Subsidiary Company from date of incorporation — January 29, 1964
to date of commencement of commercial operations — August 3, 1968

	Balance at December 31, 1967	Expenditures for the period ended August 3, 1968	Balance at August 3, 1968
Insurance	\$ 3,009	\$ 1,713	\$ 4,722
Light, heat and power	29,025	14,670	43,695
Materials and supplies	135,665	31,025	166,690
Miscellaneous	8,861	3,847	12,708
Rental of equipment	12,985	5,740	18,725
Salaries and wages	387,724	100,325	488,049
Taxes, fees and licenses	11,439	5,768	17,207
Testing and consulting services	(530)	(8,508)	(9,038)
Transportation	19,954	17,341	37,295
Travelling	15,656	2,126	17,782
Workmen's compensation insurance	6,852	(2,273)	4,579
Per Statement 3	\$630,640	\$171,774	\$802,414

Schedule D

DEVELOPMENT EXPENDITURES ON MINING RIGHTS

from date of incorporation — November 26, 1947 to June 19, 1968
Date of sale of mining rights to Con Quest Exploration Ltd. (N.P.L.)

BY AREAS

	Balance at December 31, 1967	Expenditures for the six months ended June 30, 1968	Balance at June 30, 1968
Current groups:			
McKenzie and Roy Townships	\$103,385	4,243	107,628
New Brunswick	193,819	2,333	196,152
Participation in prospecting ventures	2,500	—	2,500
Phosphate properties — Portland West Township	121,822	64	121,886
Miscellaneous — prospecting	4,008	—	4,008
	425,534	6,640	432,174
Depreciation of buildings and equipment — unallocated	4,556	32	4,588
	430,090	6,672	436,762
Development expenditures on mining rights transferred to Con Quest Exploration Ltd. (N.P.L.) — Statement 5	—	(436,762)	(436,762)
	\$430,090	(430,090)	—

(Schedule D continued)

BY DEVELOPMENT EXPENDITURE ACCOUNTS

	Balance at December 31, 1967	Expenditures for the six months ended June 30, 1968	Balance at June 30, 1968
Assays	\$ 10,649	—	10,649
Commissary	34,694	—	34,694
Depreciation of buildings and equipment	43,206	32	43,238
Diamond drilling	300,658	—	300,658
Engineering	28,113	4,500	32,613
Equipment and maintenance	11,194	—	11,194
Geological and engineering salaries	5,640	—	5,640
Geophysical and land surveys	55,739	—	55,739
Insurance	9,753	(30)	9,723
Miscellaneous	11,638	400	12,038
Participation in prospecting ventures	4,269	—	4,269
Prospecting	10,058	—	10,058
Salaries and wages	166,913	—	166,913
Supplies	29,000	—	29,000
Taxes, fees and licenses	52,996	764	53,760
Transportation	37,627	—	37,627
Unemployment insurance	1,716	—	1,716
Workmen's compensation insurance	11,988	1,006	12,994
Quebec Pension Plan	2	—	2
	<u>825,853</u>	<u>6,672</u>	<u>832,525</u>
Development expenditures on mining claims and options abandoned or transferred	(395,763)	(436,762)	(832,525)
	<u>\$430,090</u>	<u>(430,090)</u>	<u>—</u>

Schedule E

**ADMINISTRATIVE EXPENDITURES OF MAGNETICS
INTERNATIONAL LTD. (N.P.L.)**

from date of incorporation — November 26, 1947 to June 30, 1968

	Balance at December 31, 1967	Expenditures for six months ended June 30, 1968	Balance at June 30, 1968
Applicable to mining rights:			
Advertising	\$ 5,018	373	5,391
Cost of share certificates	5,044	160	5,204
Depreciation of office furniture	7,488	—	7,488
Legal and audit fees	29,171	4,560	33,731
Listing and stock exchange fees	4,217	4,616	8,833
Management services —			
geological, engineering and administrative	79,200	1,500	80,700
Miscellaneous office expenses	11,452	173	11,625
Office rent	9,906	—	9,906
Office salaries	51,919	—	51,919
Printing and maps	11,097	154	11,251
Publicity and shareholders' information	20,617	8,585	29,202
Securities registration fees and expenses	22,112	150	22,262
Stationery, postage and office supplies	8,189	253	8,442
Taxes, fees and licenses	3,763	89	3,852
Telephone and telegrams	6,786	83	6,869
Transfer agent's fees	37,865	—	37,865
Travelling	5,670	723	6,393
Quebec Pension Plan	305	170	475
Canada Pension Plan	6	—	6
Workmen's compensation insurance	1,774	—	1,774
Interest and dividends received	(23,374)	(5,661)	(29,035)
Directors' fees and salaries of officers who are also directors	12,250	10,650	22,900
Interest	4,298	3,995	8,293
	<u>314,773</u>	<u>30,573</u>	<u>345,346</u>
Less:			
Write-off of expenditures relating to mining rights abandoned — Statement 5	93,525	—	93,525
Write-off of expenditures relating to mining rights transferred to Con Quest Exploration Ltd. (N.P.L.) — Statement 5	—	251,821	251,821
	<u>221,248</u>	<u>(221,248)</u>	<u>—</u>
Other:			
Debenture interest paid and accrued	40,920	23,836	64,756
Excess of revenue over expenditure from Jones Wet Magnetic Separator operations	(46,077)	(3,866)	(49,943)
	<u>(5,157)</u>	<u>19,970</u>	<u>14,813</u>
Less:			
Write-off to statement of income and deficit — Statement 2	—	14,813	14,813
	<u>\$ (5,157)</u>	<u>5,157</u>	<u>—</u>



CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended December 31, 1968

Source:

Loss for period			(\$120,865)
Less:			
Write-off of deferred administrative expenditures . . .	\$14,813		
Depreciation	40,044	54,857	\$ (66,008)
Grants received — applied against pre-production expenses and fixed assets			60,541
Profit on sale of investments, applied against mining expenses written off			23,089
Issue of 7% convertible debentures of Ferro Iron (N.Y.) Ltd.			33,750
Issue of share capital			720,143
Minority interest			12,500
Advances to subsidiary companies, not consolidated, and related companies (net change)			25,326
Funds available			809,341

Application:

Investment in Fina Metal Ltd.			441,000
Fixed asset additions			89,853
Expenditures incurred on mining interests, etc., applied against shareholders' equity			57,216
Deferred expenditures	374,983		
Less: Depreciation	188,681		186,302
Other			5,451
Funds applied			\$779,822
Net increase in working capital			\$ 29,519
Working capital December 31, 1967			\$575,830
Working capital December 31, 1968			605,349
Net increase as above			\$ 29,519

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1968

Note 1

(a) The consolidated financial statements include the accounts as at December 31, 1968 of the following subsidiary companies:

Ferro Iron Ltd. (No Personal Liability) — incorporated under The Quebec Mining Companies Act on January 29, 1964

Ferro-Magnetics Ltd. (No Personal Liability) — incorporated under The Quebec Mining Companies Act on December 22, 1964

Ferro Iron (New York) Ltd. — incorporated under the laws of the State of New York on October 15, 1965

(b) Under a resolution of the Board of Directors passed on June 19, 1968, all the company's mining rights were sold and transferred to Con Quest Exploration Ltd. (No Personal Liability) for the book value thereof (\$82,616) satisfied by the issue of 750,000 shares which are held in escrow by The Canada Permanent Trust Company.

Since the activities of Con Quest are those of a mining exploration company and are different from the industrial operations of Magnetics International and its other subsidiary companies, the accounts of Con Quest have not been consolidated.

A subsidiary company, Magsep Ltd., was not incorporated at December 31, 1968.

Investment in and advances to subsidiary companies

not consolidated comprise:

Con Quest Exploration Ltd. (N.P.L.):	
Capital stock — 750,000 shares	\$82,616
Advances	2,675
Magsep Ltd. — Advances	4,027
	\$89,318

(c) The consolidated statement of income and deficit reflects the operating results relative to the following periods:

Magnetics International Ltd. (N.P.L.) — from July 1, 1968 to December 31, 1968; prior to July 1, 1968 the company operated as a mining company.

Ferro Iron Ltd. (N.P.L.) — from August 3, 1968 to December 31, 1968; on August 3, 1968 the company was deemed to have commenced commercial operations.

Ferro-Magnetics Ltd. (N.P.L.) — from January 1, 1968 to December 31, 1968.

Since Ferro Iron (New York) Ltd. had not entered commercial production during 1968, all its expenses have been deferred as at December 31, 1968. They are shown on Statement 4.

(d) Due to the change during the year in the nature of the business of the company and the subsidiaries included in the consolidation, no comparative 1967 figures are included in these financial statements.

Note 2

The investments in shares of mining companies are valued at cost, except in the case of unlisted mining shares and shares acquired from Quebec Smelting and Refining Corporation in 1949 and where shares were received in consideration of sales of mining rights, which are at valuations determined by the directors of the company.

Note 3

The company is a joint guarantor with PetroFina Canada Ltd. of the repayment of a \$3,000,000 loan to Fina Metal Ltd. The company has also guaranteed a \$130,000 loan to Baker Talc Limited (No Personal Liability) (a related company) which is only repayable by Baker Talc if the product or process resulting from the specific development project covered by the loan is sold or put into commercial use.

Note 4

Ferrox Iron Ltd. (N.P.L.) has been awarded and received Government of Canada research and production grants of \$630,600 whereof \$150,379 is for building, machinery and equipment and \$480,221 for development and administrative expenditures. Included therein are the amounts applicable to the year ended December 31, 1968 of \$1,629 and \$94,671 respectively.

Note 5

Prior to 1968 no depreciation had been recorded on fixed assets of Ferrox Iron Ltd. because it had not commenced commercial operations. As commercial operations commenced on August 3, 1968, accumulated depreciation, calculated from dates of acquisitions to August 3, 1968, has been charged to deferred development expenditures. Depreciation from August 3 to December 31, 1968 has been charged against operations.

Note 6

On September 15, 1967, Merrill Island Mining Corporation, Ltd. (a related company) granted the company a stand-by loan of \$250,000 for a period of six months from that date, in consideration of a fee of one-quarter of one per cent of the loan. It was further agreed that should the loan be drawn down, 'Merrill Island will have the privilege, for a period of six months from the date the loan was taken down, of taking down treasury stock of Cons. Quebec Smelting & Refining under such terms and conditions as are acceptable to the Quebec Securities Commission and the Canadian Stock Exchange.

Loans aggregating \$375,000 were received from Merrill Island during the months of March through December 1968.

Note 7

According to the terms of the 7% convertible debenture issue of Ferrox Iron (New York) Ltd. payments of interest shall be made only out of net profits after deduction of payments made on account of loans, if made, to the company by the Economic Development Administration in the amount of \$577,143 by the N.Y. Job Development Authority in the amount of \$27,328, and by the Ogdensburg Trust Company in the amount of \$162,168. Until such time as the earnings of the company permit payment of interest from net profits (net profits for the purpose of this debenture being defined as net operating profits after deduction of all taxes) after making the payments provided for in this paragraph, the interest on this debenture shall be paid from funds loaned to the company for such purpose by the company's parent company, Magnetics International Ltd. (No Personal Liability)

The debentures may be redeemed after September 1, 1970, at the option of the company, subject to the payment of a premium ranging from 20% to 5% of the principal sum due.

Note 8

Capital stock issued during the year was as follows:

	Shares	Amount
(a) On conversion of 7% convertible redeemable debentures due		
February 1, 1972	762,700	\$ 762,700
(b) On rights offering at \$3.50 per share on the basis of 1 share for each 11 shares held on September 30, 1968.		
All the rights were exercised .	205,755	720,143
	<u>968,455</u>	<u>\$1,482,843</u>

All the 7% convertible redeemable debentures due February 1, 1972, have now been converted to capital stock. The basis of conversion was 100 common shares for each \$100 principal amount of debentures.

Note 9

Minority shareholders' interest in subsidiary company represents 25,000 shares of Ferrox Iron Ltd. (N.P.L.) which were issued for \$12,500 cash to officers and a senior employee during the year ended December 31, 1968.

By resolution of the Board of Directors of Ferrox Iron Ltd. (N.P.L.) dated May 3, 1968, options were granted to an officer and senior personnel of that company to purchase 10,000 unissued shares of its capital stock at \$1 per share for a period of five years from May 9, 1966. Subject to qualification under applicable statutes, the options are exercisable on the condition that not more than 20% will be taken up per year (cumulative to five years) and that the optionee is an employee of the company at the time of exercising his option.

Note 10

The company is a party to an agreement with a service corporation which provides office accommodation and management services — geological, engineering and administrative. Fees paid to this corporation during the year ended December 31, 1968 amounted to \$29,000. The three principal shareholders of the service corporation are the President, Vice-President and General Manager and Secretary-Treasurer of Magnetics International Ltd. (N.P.L.)

Note 11

On March 6, 1969 the company entered into an agreement with Mr. W. J. Dennis Stone, Vice-President, Development, whereunder Mr. Stone's interest in certain Canadian and United States patents was transferred from him to the company in consideration for which the company undertakes to pay Mr. Stone \$300,000 in forty semi-annual instalments of \$7,500 each, the first of which falls due on March 15, 1969.

Note 12

On October 30, 1968, Ferrox Iron (New York) Ltd. entered into an agreement with the Ogdensburg Trust Company whereunder the Trust Company agrees to lend it U.S. \$100,000 at a rate of 7% per annum. The loan is to be secured by a mortgage on the property of Ferrox Iron (New York) Ltd. Interest and repayment of the loan are to be made chiefly, by payments of monthly instalments of \$1,160.

Note 13

By resolution of the Board of Directors dated May 5, 1966, options were granted to officers and senior personnel of the company to purchase 100,000 unissued shares of capital stock at \$1 per share. Subject to qualification of the company under the applicable statutes, the options are exercisable at any time until December 31, 1971, on the condition that not more than 20% will be taken up in any one year.

